

**THE METROHEALTH SYSTEM
BOARD OF TRUSTEES
FINANCE COMMITTEE
REGULAR MEETING MINUTES**

DATE: Wednesday, April 17, 2019

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. Moss & Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee, Mr. Hairston Jr., Mr. McDonald & Ms. Whiting

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chegade, M.D., G. Himes,
M. Phillips, J. Platten, C. Richmond, M. Stern

GUESTS:

John Moss called the regular meeting of the Finance Committee to order at 8:02 am. Please note the minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. The minutes of the regular meeting held on January 16, 2019 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial Officer began by providing an overview of the First Quarter 2019 Unaudited Financial and Operational Results for the period ended March 31, 2019. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization ("EBIDA") for the three months ended March 31, 2019 was \$18.6 million, a decrease of \$1.3 million or 6.3 percent below the same period in 2018 which had an EBIDA of \$19.9 million. EBIDA decrease was mainly attributed to growth in salary, wages and benefit costs driven primarily by annual wage increases and labor for patient care services; and growth in patient care supply costs due to increased use of implantable devices and volume growth in surgical services.

Mr. Richmond further reported that total operating income for the three months ended March 31, 2019, was \$4.2 million, compared with operating income of \$5.3 million in the same period of 2018, a decrease of \$1.1 million or 22.0 percent.

Total operating revenue for the three months ended March 31, 2019 was \$303.2 million as compared to \$287.2 million in the same period of 2018, an increase of 5.6 percent. The net patient service revenue component increased \$10.9 million or 4.4 percent primarily due to growth in acute inpatient discharges of 6.1 percent and supplemental payments from the Care Innovation and Community Improvement Program ("CICIP"). The other operating revenue component increased by \$5.1 million or 12.3 percent mainly driven by growth in retail and contract pharmacy operations. During the first quarter of 2019, the System experienced a modest improvement in payor mix as compared to the same period in 2018.

Mr. Richmond noted the System recorded total operating expenses of \$284.6 million in the three months ended March 31, 2019 as compared to \$267.3 million for the same period in 2018, which is an increase of \$17.3 million or 6.5 percent. The increase in operating expenses is primarily driven by salary and wages, purchased services, medical supplies and pharmacy costs associated with the retail pharmacy business.

Mr. Richmond provided a review of the Statement of Net Position as of March 31, 2019 as compared to March 31, 2018. Areas of note were (i) \$35.0 million increase in investments from prior year-end balances due to the receipt of payments for the HCAP, Hospital UPL and CICIP programs. Other receivables decreased from prior year-end due to these receipts; (ii) net capital assets increased \$17.5 million from prior year-end balances due to transformation planning, design and construction; and (iii) restricted assets under bond indenture agreement decreased \$22.9 million from prior year-end balances due to interest payments, and Bond Fund draws during the period; and (iv) total liabilities increased \$5.6 million from prior year-end balances primarily due to timing of payments.

Mr. Richmond reviewed Unrestricted Cash and Investment balances, noting that the first quarter of 2019 increased \$35.6 million from prior year-end due the receipt and timing of payments. Regarding MetroHealth's bond covenants and rating agency median ratios' the System's bond covenants (days cash on hand and minimum debt service coverage ratio) are within compliance. The Advisory Board Credit Rating Strength Diagnostic Tool which benchmarks the System's operating performance and capital structure metrics against the hospital medians of the major credit rating agencies was discussed, as well as the Capital Budget Summary for 2019.

Mr. Richmond provided an overview of the rating agency reviews that occurred on April 11th with both Moody's Investors and S&P Global. Some of the discussion themes and highlights were as follows: MetroHealth has exhibited stability in executive management and continued to deliver on its commitments; performance ratios that dramatically exceed the medians for our rating; and the Transformation Project construction cost and timing remain well-managed.

Michael Stern, Executive Vice President and Chief Operating Officer, and Bernard Boulanger, MD, Executive Vice President and Chief Clinical Officer, provided an overview of the 2019 Operating Performance Volumes for the three months ended March 31, 2019 comparing to the same period in 2018. Mr. Stern stated inpatient discharges for the quarter were up, average length of stay was down and that our Life Flight ground transportation was growing. Dr. Boulanger stated Life Flight helicopter transports continue to decline compared to last year as other hospitals have reduced the need of using our helicopter services for their patient transports, and that ground transportation continues to be used more. In the first quarter of 2019, emergency room visits were down and surgical volumes continue to show growth when compared to the prior year.

Geoff Himes, Vice President of Finance provided an Accounting and Financial Reporting update. The update included a review of GASB Statement No. 68 – Pension and GASB Statement No. 75 – Other Postemployment Benefits (OPEB), as well as other guidance that will impact MetroHealth financial reporting in future fiscal years. Mr. Himes discussed that OPERS has lowered the pension system's investment return assumptions that will continue to impact the System's financial reporting. The GASB 68 and GASB 75 adjustments are recorded on an annual basis (fourth quarter) using the results from the OPERS actuary reports. Lastly, the liabilities recognized under GASB 68 and GASB 75 meet the GASB definition of a liability in its conceptual framework for accounting standards, in Ohio there is no legal means to enforce the underfunded liability of the pension system as against the public employer.

III. NON-CONSENT/ACTION ITEMS

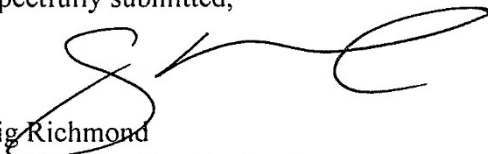
- A. There are no items to report at this time.

IV. CONSENT ITEMS

- A. There are no items to report at this time.

There being no further business to bring before the Committee, the meeting was adjourned at 10:05 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', with a large, stylized initial 'C' and a long horizontal flourish.

Craig Richmond
Executive Vice President and
Chief Financial Officer